



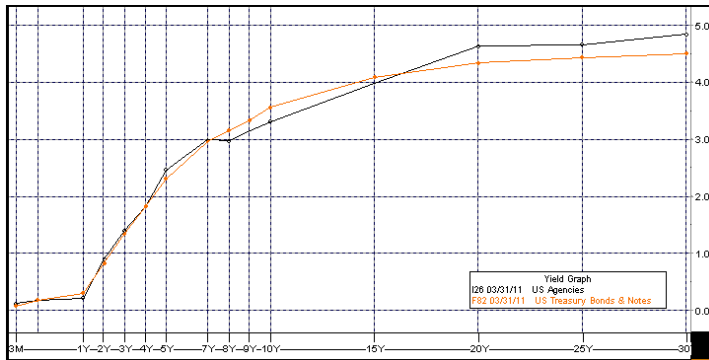
## Monthly Economic Update for TrustIndiana

April 2011

## Unemployment Rate Declined to 8.8 Percent in March

The unemployment rate in the U.S. fell to a two-year low of 8.8 percent in March as employers added 216,000 jobs during the month compared to an expected increase of 190,000. This gain follows a revised increase of 194,000 in February, and the economy has created 478,000 jobs during the first quarter, an average of 159,000 per month. Excluding government agencies, private payrolls rose by 230,000 in March compared to an expected gain of 206,000. The labor market continues to recover despite the highest surge in energy prices in more than two years.

## Yield Curves (Agency vs. Treasury)



Source: Bloomberg

## Our Methodology

The Federal Open Market Committee (FOMC) met on March 15, 2011 and decided to continue to keep the fed funds target rate at the 0 to 0.25 percent target level. The Federal Reserve will also continue the \$600 billion asset-purchase program known as quantitative easing 2 (QE2), although some FOMC members have stated that the economy appears to be improving and the entire \$600 billion might not be necessary. FOMC Chairman Bernanke believes the additional asset purchases are necessary and he has indicated that the program will continue as planned and will be completed by the end of June 2011. The U.S. economic recovery is expected to continue although the recent events in Japan and the ongoing conflict in Libya have caused concern about the rate of growth in the near term. Manufacturers that depend on components from Japan are starting to be effected and the unrest in Libya is keeping oil prices elevated which could dampen consumer spending. Inflation has been on the increase, however the FOMC believes the recent rise in food and fuel costs will be "transitory" and not push inflation above the FOMC's target level. On a positive note the unemployment rate in the U.S. fell to a two-year low of 8.8 percent in March and initial jobless claims have been below the 400,000 level for four weeks. With the FOMC likely on hold until late 2011 or possibly into 2012, we expect the yield on money-market type investments to remain at very low levels. We will continue to concentrate on high quality, liquid investments while adhering to our long standing objectives of **safety, liquidity, and yield**.

## Selected Current Economic Data

DATA	PERIOD	
GDP QoQ	Q4 '10	3.1%
GDP YoY	Q4 '10	2.8%
PPI YoY	Feb '11	5.6%
CPI YoY	Feb '11	2.1%
Jobless Rate	Mar '11	8.8%
Fed Funds Target	Mar 15 '11	0 - 0.25%

Source: Bloomberg

## Treasury Yields

TERM	3/31/11	3/24/11	CHANGE
3-Month	0.09%	0.08%	0.01%
6-Month	0.18%	0.16%	0.02%
1-Year	0.29%	0.26%	0.03%

Source: Bloomberg

## Agency Yields

TERM	3/31/11	3/24/11	CHANGE
3-Month	0.12%	0.10%	0.02%
6-Month	0.21%	0.20%	0.01%
1-Year	0.37%	0.32%	0.05%

Source: Bloomberg

## Commercial Paper Yields (A-1/P-1 Dealers)

TERM	3/31/11	3/24/11	CHANGE
1-Month	0.27%	0.27%	0.00%
3-Month	0.34%	0.34%	0.00%
6-Month	0.50%	0.51%	-0.01%
9-Month	0.62%	0.59%	0.03%

Source: Bloomberg

The opinions expressed are those of the TrustIndiana Administrator and are subject to change without notice.